

CITY OF LYNDEN
Whatcom County, Washington
January 1, 1991 Through December 31, 1993

Schedule Of Findings

1. The City Should Only Pay For Services Which Have Been Rendered And Which Are Allowable City Expenditures

The city paid the Lynden Chamber of Commerce (chamber) in advance for services which were rendered in accordance with agreements signed in 1993 and 1992 . In addition, the city made payments to the chamber in 1991 and 1990, for which no agreement could be located.

The agreements entered into with the chamber of commerce obligate the City of Lynden to pay the chamber a predetermined amount each year, payable at the beginning of the quarter of each year, in exchange for services, such as the operation of a visitor's bureau, promotion of tourism in the city, and organization and supervision of the production of a city float. According to city records the amount paid by the city in each year was as follows:

| | |
|------|----------|
| 1990 | \$15,000 |
| 1991 | \$37,770 |
| 1992 | \$59,570 |
| 1993 | \$65,400 |

Of the amounts paid to the chamber in 1993 and 1992, based on our review of supporting records which were available, we determined that approximately \$15,913 in 1993 and approximately \$11,710 in 1992 appeared to be of the type which are not allowable city expenditures (for example, a golf tournament and a retreat). Detailed chamber expenditure records were not available for 1991 and 1990, therefore, we could not determine if any of the costs were unallowable city expenditures.

Article VIII, Section 7 of the Washington State Constitution states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm

In addition, RCW 42.24.080 states in part:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute . . . Such claims shall be prepared for

audit and payment on a form and in the manner prescribed by the division of municipal corporations in the state auditor's office. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification. . . .(Emphasis ours.)

The city's lack of procedures to ensure that all goods and services have been received prior to payment and that all expenditures are for allowable city purposes has resulted in both a lending of the city's credit and a gift of public funds to the chamber.

We recommend the city review and modify the agreement with the chamber to ensure the services are allowable city expenditures. In addition, we recommend the city receive adequate supporting documentation of the services provided and ensure the services have been provided prior to payment. We also recommend the city receive adequate documentation for past payments made to the chamber or request reimbursement of those payments.

2. The City Should Improve Internal Controls Over Court Receipting And Ensure That All Court Documents Supporting Financial Transactions Are Retained As Required

During our audit of the City of Lynden Municipal Court we noted weaknesses in the internal controls over cash receipts and missing court documents. The following is a summary of the items noted:

- a. Cash receipts were used out of sequence without any apparent explanation.
- b. The cash and check composition of the cash receipts did not always agree with the composition of the deposits.
- c. Cash Receipts/Bail Reports were missing for 1992 and 1991 and the current computer system could only access records back to November 1992.
- d. Court dockets scheduling court hearings for individuals for 1993 and 1992 were missing.
- e. The city's copies of cash receipts for 1993, 1992, and 1991 were missing.

RCW 43.09.200, Division of municipal corporations - Uniform system of accounting, states in part:

The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting . . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

RCW 40.14.070 states in part:

. . . Except as otherwise provided by law, no public records shall be destroyed . . . unless:

- (1) The records are six or more years old.
- (2) The department of origin of the records has made a satisfactory showing to the state records committee that the retention of the records for a minimum of six years is both unnecessary and uneconomical, particularly where lesser federal retention periods from records generated by the state under federal programs have been established; or
- (3) The originals of official public records less than six years old have been copied or reproduced by any photographic, photostatic, microfilm, miniature photographic, or other process approved by the state archivist which accurately reproduces or forms a durable medium for so reproducing the original.

We consider this to be a material weakness in the internal control structure.

The city's failure to implement an effective internal control system and maintain court documents and reports resulted in the inability to verify that all money received by the court were deposited with the city treasurer.

We recommend the city develop adequate internal controls over court cash receipts and ensure all records relating to the court are kept on file as required.

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Schedule Of Federal Findings

1. The City Should Monitor For Compliance With the Davis-Bacon Act

The city contracted with Barrett Consulting Group to monitor for compliance with the Davis-Bacon Act on the Depot Bridge Replacement Project funded by a Department of Transportation Grant Program (CFDA 20.205). During the monitoring process, the consultant found inconsistencies between the wages paid per the certified payroll listing and the amount contractor employees stated they were paid during interviews with the consultant. The consultant did not take any further action. Our review of the consultant's documentation did not reveal any evidence the city reviewed the monitoring performed by the consultant or any action taken by the city.

General administrative requirements for all federal assistance programs require, among other things, compliance with the Davis-Bacon Act. That requirement states in part:

When required by Federal grant program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction projects financed by federal assistance must be paid wages no less than those established for the locality of the project by the Secretary of Labor. [40 State 1494, Mar. 3, 921, Chap. 411, 40 U.S.C 276A-5].

The city relied upon their consultant to monitor compliance with the Davis-Bacon Act and failed to implement an effective system to review their performance. Without an effective system to monitor contractor compliance with prevailing wage requirements the city cannot be assured that prevailing wage rates were paid to employees of the contractor. Further, the city is exposed to the risk of losing future federal assistance.

We recommend the city develop a system to monitor compliance with the Davis-Bacon Act. This system should address, at the very least, the review of certified payrolls submitted by contractors, interviews of contractor employees to ensure prevailing wages are paid and the follow-up of possible violations.